REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

May 11, 2009

REVENUE MEMORANDUM CIRCULAR NO. 26-2009

SUBJECT : Revocation/Cancellation of **BIR RR7 Ruling No. RR7-003-876** dated September 13, 2006 addressed to Trendset Manpower Services relative to its request for exemption from the 2% creditable withholding tax, prescribed in Revenue Regulations No. 17-2003, on the sale of services, for purposes of computing its gross receipts.

TO **:** All Internal Revenue Officers and Others Concerned

This refers to the above-mentioned BIR RR7 Ruling issued by then Regional Director Merlinda L. Ordoyo of Revenue Region 7, Quezon City, to the effect that for purposes of computing the income payment subject to two percent (2%) creditable withholding tax, on the sale of services, the basis shall be the gross receipts, representing the contract price on service fee rendered by Trendset Manpower Services, excluding the amount segregated or earmarked for particular purpose, such as salaries and other benefits.

The abovementioned ruling is a blatant disregard of the spirit of the law and regulations on withholding tax system, considering that the basis of withholding tax, whether creditable or final, is the GROSS INCOME without any qualification. It says so in many words, as it does in Revenue Regulations No. 2-98, as amended by Revenue Regulations No. 17-2003, like Section 2.57.2(A) on the GROSS professional, promotional and talent fees or any other form of remuneration for the services, among others. Besides devoid of legal basis, then Regional Director acted beyond the scope of her delegated authority inasmuch as the issue settled is not one of those mentioned in Revenue Memorandum Order No. 75-99 and Revenue Memorandum Circular No. 3-2001, as amended by Revenue Memorandum Circular No. 39-2001.

In view of the foregoing, this Office hereby revokes BIR RR7 Ruling No. RR7-003-876 dated September 13, 2006.

All other existing rulings inconsistent herewith are likewise considered **REVOKED.**

All concerned are hereby enjoined to be guided accordingly and give this circular as wide a publicity as possible.

(Original Signed)
SIXTO S. ESQUIVIAS IV
Commissioner of Internal Revenue